

WASHINGTON STATE TRANSPORTATION COMMISSION
FERRY TARIFF MEETING MINUTES
April 26, 2005

The ferry tariff meeting of the Washington State Transportation Commission was called to order at 10:00 a.m., on April 26, 2005 at Puget Sound Regional Council, Boardroom, 1011 Western Avenue, Seattle, Washington.

Commissioners present at the meeting were: Chair Stedman, Ed Barnes, Bob Distler, Dick Ford, Elmira Forner, A. Michèle Maher and Dan O'Neal.

BRIEFING ON TARIFF POLICY COMMITTEE RECOMMENDATIONS

Chair Stedman called the meeting to order and welcomed meeting participants.

Ray Deardorf, Planning Director, WSF, presented a summary of the 2005 revised tariff proposal. The revised tariff proposal included a six percent general fare increase instead of the five percent originally proposed, plus continued phasing of the Tariff Route Equity distance based fares on the Anacortes-Friday Harbor route, and the San Juan inter-island route. The proposal use dime rounding for vehicles instead of the quarter rounding that has been done over the past seven years. The card is valid for ninety days with the same discounts, trips, and the time limit as the current coupon book. The revised proposal would allow for the multiple use of passenger frequent user cards for groups or families traveling together. Senior/disabled and youth are exempt from tollbooth charges of five percent for the discounted multi-ride cards. Other components of the proposal stayed the same, with the youth discount changing to 6-18 years of age. The Anacortes-Sidney promotional fare will continue for overheight RV and buses, and new commercial account program language. The revised proposal is estimated to generate \$4.8 million dollars in additional new fare revenue in FY 2006 and \$4.9 million dollars in FY 2007.

Commissioner Distler inquired what loss WSF sustained as a result of the delay from May 1 to June 1, 2005. Mr. Deardorf responded that the revenue loss was \$573 thousand dollars.

There were four informal public meetings conducted throughout the service area. Eighty-nine people attended public meetings, in comparison to 1,270 for the initial proposal. Total comments received via email, letter, fax or telephone was forty-nine, as compared to 3,754 for the initial proposal. There were many comments expressing appreciation for the amended proposal.

Commissioner Ford expressed his concerns regarding cash handling and security that will meet the requirements for the auditor.

Mike Anderson, Assistant Secretary, WSF, commented that cash handling is a viable concern and will be addressed with the new system. Clearly, cash is not going away entirely, but using a credit or debit card creates an ease of use for the consumer.

Mr. Deardorf commented that the next step is Commission action today on the revised proposal. The final tariff would need to be filed with the code reviser and changes would take effect June 1, 2005, the five percent tollbooth surcharge would take effect on May 1, 2006.

Commissioner O'Neal asked what decision the Legislature made on the fuel surcharge. Mr. Anderson responded that WSF is covered for the next biennium based on fuel cost as of today. He suggested that frequent user bulk ticket purchases might be examined again as a cost reduction for WSF. He questioned whether the Bainbridge route is in fact subsidizing other parts of the system.

Alice Tawresey, Chair, Tariff Policy Committee (TPC), responded that the TPC has taken the position that it is a system that needs to service the population. In order to make it affordable to go to some of the more expensive areas to serve, the less expensive areas have to subsidize or spread the value. The TPC has several principles, one of which that this is a ferry system, and that there is equity between the routes based on how long you are on the ferry, and in the terminal, that is separate from how many riders there are. The TPC has chosen to not evaluate routes for their income.

Commissioner O'Neal asked for an explanation of tariff route equity. Ms. Tawresey explained that tariff route equity was established to attempt to equalize the payment based on the time spent on the ferry. In other words, payment is based on how large of a space occupied and the amount of time spent on the ferry. Commissioner Distler explained that the concept of route equity is to neutralize peculiarities of different routes.

Chair Stedman asked for an update regarding the Legislature's decision to end the discussion on private ferry service. Commissioner Distler responded that the budget includes funding of the existing Vashon service through June 2007. The WUTC has been instructed to suspend issuance of permits to organizations that are applying to provide service on the route until the question of whether or not WSF will provide passenger only ferry service is resolved. Administrator Ziegler added that the newly formed Joint Transportation Committee has a proviso in the budget to perform a passenger only ferry service study with an eighteen-member task force. She also pointed out that the task force must include a member of the Commission.

PUBLIC TESTIMONY

Paul Locke, citizen, stated that he believes that all of the operating costs should be covered even though the Legislature set it at eighty percent. It's to the point where transit agencies are borrowing money to operate. Eventually the operating bill will be more than what is collected, because every hour of operation is driving the deficient higher. The same thing is happening with the ferry system. Federal funds should be siphoned off of transit agencies and put into rebuilding the highway system. The state should not subsidize transit agencies.

Chair Stedman noted that the ferry system is part of the highway system as opposed to being a transit system.

Vickie Mercer, Chair, Transportation Committee, Vashon Island Community Council, thanked Commissioners for attending public hearings. One of the issues raised at the public hearing was that Vashon Community Council did call for an economic impact study to be conducted at the time that tariffs were proposed for increases. The Legislature requested that the impact of fares on local communities should be examined. The Legislature did a great job of listening and the issue was addressed. It is understood that the TPC was sensitive to the independence of the islands. The two-tier system for the San Juan Islands is one example, trying to shift traffic patterns to the slower times of the week. She emphasized that it would be nice for Vashon to have the opportunity as well, because they also feel the pressures of the fare increases, but there is not a window of opportunity to shift the traffic patterns. She noted that the business community has been impacted by the fare increases. Some businesses do not qualify for the commercial discounts, because they do not travel at least six times per week. She suggested that long loads be evaluated and possibly be charged by length at a certain point. The five percent surcharge that will take effect in May 2005 is being rushed based on the fact that there is an inability to determine how many riders it will apply to at this point. The electronic fare system is positive, but there are individuals that will not want to use it.

Bill Wright, Friday Harbor, stated that he is very encouraged by the Commission's actions. He noted that all fares were not equitable, but many have been addressed. The Route Statement Summary goes too great lengths to show what farebox recovery is. It should be noted that fares are unbalanced for some of the routes. He emphasized that he has been before the Commission in the past to complain about shed protection. This offered only on the Bremerton run. If the TPC were truly considering shed protection it would find a convenient way for the San Juan Islands. He questioned why shed protection is not all inclusive of the San Juan Islands. He reminded the Commission that there is not a codified requirement to recover a specific amount from the farebox. Historically it has been put forth that it is the TPC that establishes ferry fares, when in fact the reality is that ferry fares are established when WSDOT submits the budget to the Governor. Therefore, fares can be reduced depending on the budget that is proposed to the Governor. Have all cost reductions been considered or is it another case of government spending at the end of the fiscal year. He questioned if any efforts to reduce costs this biennium had been made. He suggested that there would never be a fare reduction if budget requests to the Legislature are not reduced. He also noted that the TPC failed to provide equitable fares to the San Juan Islands as required by the senate proviso. The CR 102 that was submitted had language changes that the public was not privy to. He stated that he asked if current law allowed the use of Puget Sound ferry operation funds for capital resources. This question has not been answered, but he feels strongly that it cannot. WSF's ten-year plan indicates that funds would be moved from operations to the capital account. Commissioner Distler requested that Mr. Wright provide him with a copy of this information.

Mike Anderson, Assistant Secretary, WSF, responded to Mr. Wright's concerns. He stated that he disagrees with Mr. Wright's implication that WSF has not taken efforts to reduce expenses. Over the last few years WSF has made considerable reductions since the loss of the MVET funds. There was a period of two years with a five percent across the board reduction in cost. This was addressed by reducing services and efficiencies and the elimination of some services. WSF continues to look at costs on a daily basis, but the

eleven percent increase over the next biennium can be attributed to the fuel price increase. While this has been covered by the Legislature in the budget it is still an operating cost expense. When look at data it indicates that operating cost are increasing. Required security measures have also increased costs. WSF is aware that there is an increase in the size of its capital program. This increase is to cover the additional four or possibly five vessels in the budget to replace the steel electrics and possibly the Hyak, rather than invest money in ferries that have passed their useful life. Work at terminals has been deferred over the years, and the funds have been put into the operating program, now terminals are showing the wear and tear. Now the investment into the infrastructure needs to be made.

Commissioner Distler commented that the TPC has by design two members from each party and two from each house. These members sit on the TPC for the specific purpose of providing a balance when formulating the Department's budget, fare increase proposals and capital program allocations. The budget process is ongoing and evolutionary.

Deborah Blake, citizen, Vashon Island, commented that she does not agree that the Smartcard is the right way to go. The card will severely impact low-income people and it will probably slow down passenger and vehicle loading. She noted that it is important to not penalize people for using cash. Also, is there a loss of revenue that results from the use of credit card fees. Vashon Island is solely dependent on the ferry system and does not have a way to boycott the new system in order to express disapproval.

Rob Youngs, citizen, Port Orchard, commented that amended fare proposal is not equitable. With the use of electronic transactions rounding is not necessary. Mr. Deardorf responded that with dime rounding not every fare is going six percent. He noted that the move from quarter to dime rounding lessened the lumpiness of rounding.

CONSIDERATION OF AND POSSIBLE ACTION ON TARIFF PROPOSAL

Commissioner Distler moved and Commissioner Ford seconded that the tariff proposal be approved with modification of the surcharge. He proposed that the surcharge effective with the purchase of bulk fares effective May 1, 2006 be set at the lesser of five percent or two dollars and fifty cents. What this means is that there would be a two dollar and fifty cent cap on the fee levied for the tollbooth purchase of bulk fares. The motion passed unanimously

Commissioner Maher request that Sam Kuntz, Chief Financial Officer, WSF, provide a response to Commissioner Distler's motion. Mr. Kuntz responded this proposal was not considered in the revenue assumption and may generate less revenue. Commissioner Distler noted that there may be no way of knowing what the outcome would be until a few months have gone by. Commissioner Stedman commented that possibly a proviso could be added. Commissioner Distler responded that at this point the TPC might not consider another hearing for 2006 fares, but at any point the TPC can reopen any actions for further consideration at any time.

Commissioner Ford commented that he's not certain to what extent ferry fares economically impact service areas. He encouraged people to consider what they would like the outcome of an economic impact statement to be and email their comments.

Commissioner Distler noted that economic impact might not necessarily be about revenue, but on people's personal budgets. He emphasized that he would specifically like to hear from Vashon Island residents as to their specific intent of the request for an economic impact study.

The Commission meeting adjourned at 12:00 p.m., on April 26, 2005.

WASHINGTON STATE TRANSPORTATION COMMISSION

DALE STEDMAN, Chair

DANIEL O'NEAL, Vice-Chair

EDWARD BARNES, Member

DICK FORD, Member

ELMIRA FORNER, Member

ROBERT S. DISTLER, Member

A. MICHÈLE MAHER, Member

DOUGLAS MACDONALD, Ex-Officio Member
Secretary of Transportation

ATTEST:

JENNIFER ZIEGLER, Administrator

DATE OF APPROVAL